

PROTECTION: CRITICAL ILLNESS INSURANCE

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Deciding what **type** and **level** of financial protection you might need **is the cornerstone of a sound financial plan**. Arguably your priority should be ensuring that you and your family are financially protected from the worst that may happen, before planning for the life you hope to live in the future.

Here we take a closer look at **Critical Illness Insurance**, and what you need to consider before taking out a policy.

Please refer to our note giving an Overview of Protection policies for details of other types of cover available.

SUMMARY

Critical illness insurance pays a **cash lump sum** on diagnosis of **specified** illnesses or types of disablement, **whether this results in you being able to continue work or not**. You can then use the cash sum however you wish.

Advances in medical care mean that the chances of surviving a critical illness are increasingly good, however, **being ill may mean additional unforeseen expenditure**.

A lump sum payment under a Critical Illness Policy is commonly used to enable you to meet any lump sum costs of illness, for example:

- Contributing towards **private medical care**.
- Enabling necessary **modifications to your home**.
- Paying for a **recuperative holiday**.

It may also help finance regular expenses, should you become unable to work due to illness, or help to repay a mortgage or other debts to reduce outgoings. However, please note that this is **not designed as a replacement for lost income** (for which see Income Protection Insurance).

TYPES OF CRITICAL ILLNESS COVER

Critical illness cover is available on the same bases as life assurance, e.g. as a term assurance or a whole of life product – most usually taken out as a term assurance. Please see the relevant Protection Research Notes for further details.



TYPICAL ILLNESSES COVERED

Please note that not all policies cover the same list of illnesses, or to the same level. It is therefore important to shop around to find one that meets your requirements. Industry-wide standard definitions have been agreed for some of the main conditions, but please be aware that companies can have different definitions for specific conditions. Some typical illnesses covered are:

- Alzheimer's disease before age 65
- Angioplasty
- Aorta graft surgery
- Benign brain tumour
- Blindness
- Cancer (most malignant types)
- Coma
- Coronary artery by-pass surgery
- Creutzfeldt-Jakob disease
- Deafness
- Heart attack
- Heart valve replacement or repair
- HIV/AIDS cover for medical staff and other specified groups
- Kidney failure
- Loss of limbs
- Loss of speech
- Major organ transplant
- Motor neurone disease before the age of 65
- Multiple sclerosis
- Paralysis/paraplegia
- Parkinson's disease before age 65
- Permanent and total disability before age 65 (any occupation or own occupation definition)
- Pre-senile dementia before age 65
- Stroke
- Terminal Illness
- Third degree burns

TAX TREATMENT

The tax treatment of the policy will depend upon whether it is written on a term assurance or whole of life basis. Please see the relevant Life Insurance Research Pages for details.

RISK FACTORS

Please be aware that the term based contracts have no cash-in value at any time and that nothing is payable in the event of you reaching the end of the term without making a claim. Therefore you should evaluate whether you consider that such a policy would offer value for money.

The costs quoted will be based upon an assessment of your health, which assumes that you will be accepted on ordinary rates of premium. In order to implement the cover, you may have to undergo a medical assessment, which will formally determine the eventual premiums.



Important Information: Our views are based upon our understanding of current legislation in England, unless stated otherwise. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances.

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